

Purchasing Service Credit

Public Employees' Retirement System • Teachers' Pension and Annuity Fund • Police and Firemen's Retirement System

Since your retirement allowance is based in part on the amount of service credit posted to your account at the time of retirement, it may be beneficial for you to purchase additional service credit if you are eligible to do so. **Only active members of the retirement system are permitted to purchase service credit. An active member is one who has made contributions to the retirement system within two years of his or her purchase request and who has not retired or withdrawn his or her contributions.**

TYPES OF PURCHASE

If a type of service is not listed below, it is not eligible for purchase. Partial purchases are permitted; you may purchase all or part of any eligible service.

Temporary Service

PERS and TPAF members are eligible to purchase service credit for temporary, provisional, certain intermittent, or substitute employment if the employment was continuous and immediately preceded a permanent or regular appointment. PFRS members are eligible to purchase temporary employment provided the service rendered was in a title eligible for participation in the PFRS, was continuous, and immediately preceded a permanent or regular appointment.

- PERS, TPAF, or PFRS members are allowed to purchase temporary service rendered under a former account (subject to the conditions of the previous paragraph).
- Job Training Partnership Act (JTPA) service and its successor program established under the Workforce Investment Act of 1998 are not eligible for purchase.

Leave of Absence without Pay

PERS, TPAF, and PFRS members are eligible to purchase service credit for official leaves of absence without pay. (Maximum of 2 years for per-

sonal illness; maximum of 3 months for personal reasons.)

- Maternity-leave is considered personal illness (see note below).
- Child-care leave is eligible for purchase as a leave for personal reasons.
- A leave of absence without pay under a former membership may be eligible for purchase.

Note: A certification from a physician that a member was disabled due to pregnancy and resulting disability for the period in excess of three months is required. Otherwise, three months is the maximum period of purchase for maternity.

Former Membership Service

PERS, TPAF, and PFRS members are eligible to purchase service credited under a previous membership in any of the retirement plans administered by the New Jersey Division of Pensions and Benefits. To be eligible for this type of purchase, the previous membership must have been terminated, either because the member withdrew the contributions in the account or no contributions were made to the account for more than two years, and the account considered expired.

Out-of-State Service

PERS, TPAF, and PFRS members are eligible to purchase up to 10 years of public employment rendered with any state, county, municipality, school district, or public agency outside the State of New Jersey but within the United States (including U.S. territories or possessions) provided the service rendered would have been eligible for membership in a State of New Jersey-administered retirement system. This service is only eligible for purchase if the member is not receiving or eligible to receive retirement benefits from the out-of-state public pension fund.

Leaves of absence from out-of-state service are not eligible for purchase.

U.S. Government Service

PERS, TPAF, and PFRS members are eligible to purchase up to 10 years of credit for civilian service rendered with the U.S. Government provided the service rendered would have been eligible for membership in a New Jersey administered retirement system. This service is only eligible for purchase if the member is not receiving or eligible to receive retirement benefits from the federal government based in whole or in part on this service.

Military Service Before Enrollment

PERS, TPAF, and PFRS members are eligible to purchase credit for up to 10 years of active military service rendered prior to enrollment provided the member is not receiving or eligible to receive a military pension* or a pension from any other state or local source for such military service.

If you qualify as a veteran, you may be eligible to purchase an additional five years of military service.

Military Service After Enrollment

Under the requirements of the federal Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), members may receive credit for military service rendered after October 13, 1994. The member must be enrolled in a New Jersey State-administered retirement system when entering the peacetime military service and, when discharged from or otherwise ending military service, must return to employment within the time periods prescribed by federal law in a position covered by a New Jersey State-administered retirement system.

USERRA eligible service will only be used to determine *eligibility* for benefits. The *calculation* of retirement benefits will not use the USERRA eligible service unless the employee pays the required pension contributions for the period of military service.

A member receiving or eligible to receive a military pension, based in whole or in part on **service in the reserves, may purchase credit for active military service.*

Uncredited Service

Any regular employment with a public employer in New Jersey for which the member did not receive retirement credit and which would have been previous compulsory membership (see Important Notes on page 4).

Local Retirement System Service

PERS, TPAF, and PFRS members are able to purchase service credit established within a local retirement system in New Jersey if they were ineligible to transfer that service to the State retirement system upon withdrawal from the local retirement system. This service is only eligible for purchase if the member is not receiving or eligible to receive retirement benefits from that local retirement system.

Layoff (PFRS only)

Members of the Police and Firemen's Retirement System (PFRS) who were laid off and were in good standing at the time of separation from employment (not released for misconduct or delinquency), and who are subsequently rehired to a similar (police or firefighter) service position in the PFRS, can purchase up to three years for the time period in which the member was laid off. The member must now be an actively contributing member of PFRS to make this type of purchase.

The cost of a layoff purchase is calculated using the salary for the 12 months prior to the layoff.

Employment with Other Agencies (PFRS only)

If you have at least 20 years of service credit in the PFRS and you leave to accept a full-time position (with your employer's approval) in one of the agencies listed below, you may purchase a maximum of three years of such service upon your return to covered employment.

- a federal agency;
- an agency of another state or local government; or
- an organization whose principal function is offering professional, advisory, research, educational, or developmental services to govern-

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ments or universities concerned with public management.

PROCEDURES FOR PURCHASING SERVICE CREDIT

You may obtain a quotation of the service credit you qualify to purchase and the cost to purchase that service by submitting an *Application to Purchase Service Credit* to the Division of Pensions and Benefits. This form is available from your employer or by writing to Client Services, Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295. You can also download the application over the Internet at www.state.nj.us/treasury/pensions. You can receive an *estimate* of the cost of purchasing service credit by calling our Automated Information System at (609) 777-1777.

The cost of a purchase is based the following:

- your nearest attained age at the time the Division receives your application;
- your current annual salary or highest fiscal year salary posted to your account, whichever is higher (except for layoff purchases for PFRS members);
- the amount of service you are purchasing; and
- whether the purchase is a shared-cost or full-cost purchase (see Important Notes on page 4).

The cost of the purchase will normally increase with an increase in your age and/or salary.

Upon determining that the time requested is eligible for purchase, the Purchase Section will process your request. After the processing of your purchase request by the Division of Pensions and Benefits, you will receive a quotation of the service credit you qualify to purchase and both the lump sum cost to make the purchase and the cost if paid through payroll deductions. You will have 60 days from the date of the letter to decide if you want to authorize the purchase.

PAYING FOR A PURCHASE OF SERVICE CREDIT

You may pay for a purchase service credit:

- with one lump-sum payment;
- by having extra payroll deductions withheld from your pay. The minimum deduction is equal to one-half of the full rate of contribution to the pension system (2.5 percent of salary for PERS and TPAF members and 4.25 percent of salary for PFRS members) over a maximum period of 10 years and includes interest of 8.75 percent; or
- by making an initial down payment and having the remainder paid through payroll deductions.

Lump-sum or partial payments should be included with the return of your *Purchase Authorization* form to the Division. If you elect to have payroll deductions (including partial payments) you will receive a *Certification of Payroll Deductions* after your authorization form has been processed.

Lump-sum and partial payments cannot be refunded for any reason. Partial payments are not permitted after deductions begin; however, you may pay off the entire purchase in one lump-sum payment at any time after deductions have been scheduled or you may request a cancellation of your remaining payroll deductions and receive only a portion of the service.

To cancel future deductions and have your service credit prorated for the amount you have paid toward the purchase, your request must be made in writing to the Adjustment Section, Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295. Your cancellation and proration will automatically be projected into the next payroll certification date (approximately one month for employees whose contributions are reported monthly to the Division or three pay periods for employees whose contributions are reported to the Division on a biweekly basis).

Members who have applied for retirement can request a proration for a *future* date. Otherwise, if you retire before completing all of the scheduled

payments, you will automatically receive prorated credit for the amount of service you have paid for or you can pay the remaining balance in a lump-sum and receive full credit.

IMPORTANT NOTES

Military Veterans and Non-Veterans

If you qualify as a **non-veteran**, you are eligible to purchase an aggregate of 10 years of service credit for work outside New Jersey (out-of-state, military, and U.S. Government service).

If you qualify as a **veteran**, you may be eligible to purchase an additional 5 years of military service rendered during periods of war for an aggregate of 15 years of service outside New Jersey (out-of-state, military, and U.S. Government service).

Shared and Full Cost Purchase

For most types of purchase, the cost is shared between the employee and the employers who participate in the pension plan. When statute specifically provides that the employer shall not be liable for any costs of the purchase, you as the member must pay the full cost. If you purchase local retirement system service, U.S. Government service, military service before enrollment, layoff for members of PFRS, or employment in certain other agencies (PFRS only), you are responsible for the

full cost. Therefore, the cost to you for purchasing these types of service will be twice the cost for other types of purchase.

The purchase of Uncredited Service is a shared cost purchase, however, the employer bears no cost for this type of service.

Leave of Absence

If you are on a leave of absence for two or more years, additional interest will be assessed on any outstanding balance of your purchase. However, if you separate from employment for two or more years (other than on a leave of absence), the purchase will be canceled and the service credit prorated.

Disability Retirement

The purchase of U.S. Government, out-of-state, or military service before enrollment cannot be used to qualify for a disability retirement.

Taxation of Purchase Payments

The contributions you make to purchase the types of service credit described in this fact sheet are not federally tax deferred like your normal pension contributions. These contributions will not be included as taxable income when you start receiving benefits at retirement.

This fact sheet has been produced and distributed by:

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